

# Recession looms for Turkish economy as job losses accelerate

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In the past two months an estimated 20,000 Turkish workers who worked for Turkish construction companies in Russia have lost their jobs and returned home. The mass layoffs are due to a sharp slowdown in the Russian construction industry, badly affected by the global economic crisis.

At the same time, the domestic Turkish construction industry—together with every other economic sector—has also been hit by the crisis. This means that there is very little chance of these 20,000 workers finding new jobs.

In the third quarter Turkish economic growth hit a six-year low, with an expansion in gross domestic product of just 0.5 percent. Construction declined 4.3 percent during the quarter. Manufacturing output shrank by 1.1 percent, indicating that the construction industry is suffering from the overall state of the Turkish economy, which is in free fall at the moment.

The Turkish Statistical Institute (TUIK) reported this week that the official unemployment rate rose to 10.3 percent in the three-month period August to October, up from 9.8 percent in July-September. (Joblessness is measured on a three-month moving average.)

During the same period official non-agricultural unemployment stood at 13.3 percent, a 1.3 percent increase from the previous year. The laying off of construction workers plays a major role in this rapid rise.

Turkey's unemployment, and, most significantly, non-agricultural unemployment, is expected to increase substantially in 2009 and the newly jobless will be added to the army of unemployed.

The flow of laid off construction workers back to their home countries means that in the age of globalisation economic crises invariably confront

individual countries with the problem of assimilating massive numbers of unemployed back into their domestic economies.

This type of forced return will undoubtedly create human tragedies. Many of the 20,000 now jobless Turkish construction workers are the only, or at least main, breadwinners of their families. When other family members are taken into account, this means impoverishment and a dramatic decline in living standards for almost 100,000 people.

In Russia much of the financing available for investment has dried up and as a result many construction projects have simply been halted. According to data released on Tuesday, Russian industrial production fell by 10.8 percent in November over the previous month and 8.7 percent year over year.

According to data recently released by the Turkish Contractors Association (TMB), Russia ranks second in construction-related investments by Turkish companies last year with US\$3.6 billion worth of projects slated to take place. The Russian state usually gives priority to domestic companies for public construction projects, meaning that Turkish companies essentially work with the private sector. These companies generally undertake building projects such as shopping malls, factories and suburban development projects.

On Saturday, TMB President Erdal Eren told *Hurriyet Daily News* that Turkish companies were having difficulty in Russia, where construction projects are slowing to a stop. Eren said, "Many Russian investors say they cannot continue their projects and ask our construction companies, who they work with, to slow down operations. Recently, one construction project turned out to be delayed for one year."

Eren stated, "There are the cancelled projects where the investors will say 'I am not going to start this

project.' For example, one high-end shopping centre developer was saying that they were going to commission 20 new shopping centres. Now the same people are saying they are going to build 10. These sorts of glitches, slowdowns and cancellations, have resulted in roughly 20,000 workers coming back to Turkey in the last two months," he added.

In his statement Eren says nothing about the possible effects of income loss on such a huge scale and the delays in payments received. Many insiders anticipate that a number of Turkish construction companies could collapse in the coming months.

This represents a serious loss of hard-currency income for Turkey, which suffers from a very large current account deficit.

On Monday the Turkish Statistical Institute announced that industrial output fell 8.5 percent in October, the highest single fall since the devastating economic crisis of 2001. Even worse, some economists are expecting an even bigger decline in industrial output in November, indicating that growth may slow further and even turn negative in the fourth quarter. Erkin Isik, an economist at Fortis Bank in Istanbul told *Hurriyet Daily News*, "The slowdown in Turkey has occurred much earlier than thought. We're likely to see more deterioration in the first half of 2009."

TUIK does not provide seasonally adjusted data for industrial output and unemployment. According to the same newspaper, Ahmet Akarli, an economist with Goldman Sachs in London, said in a note to investors that Turkey is already in a recession because the economy shrank 1.4 percent in the second quarter and 1.1 percent in the third when the figures are seasonally adjusted.



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